

The Texas Margin Tax: Common Substantive Issues Arising in Audits

Janet Spies, *Franchise Tax Policy, Texas Comptroller of Public Accounts*
Gary Dullum, *Auditor, Texas Comptroller of Public Accounts*
Cindy Ohlenforst, *K&L Gates LLP*
Matt Larsen, *Baker Botts LLP*

To Combine or Not to Combine

- Taxpayer filed separately, Comptroller says they should have combined
- The flip side - Taxpayer file combined, but Comptroller says they should not have
- Instant unity

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The Quest for the 0.5% Rate

- Who knew there were so many retailers and wholesalers?
- SIC classification
- Is this really tangible personal property?
Phone calling cards and other "fuzzy" assets
- What about combined groups?
- The exceptions - what does it mean to be a producer or provide utilities?

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Cost Of Goods Sold

- More expansive in taxpayers' minds than in Comptroller's?
- Selling costs, distribution costs, rentals of nonproducing real property, and other common "mistakes"
- Industry-specific issues (e.g., oil and gas, health care, construction)
- Other issues

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Federal Income Tax Reporting Issues

- What is "reportable" on the federal return? When might the Comptroller "look behind" the federal return?
- Tenant reimbursements, hedging transactions, bad debts, and other issues driven by federal reporting

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Other Substantive Issues

- Flow through funds exclusion
- "Forgetting" the compensation deduction limit for wages and partner distributive income
- Tiered partnership rules?
- Changing the deduction method on amended returns

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A Few Words About Procedure

- Difference between desk and field audits
- Combining franchise and sales tax audits

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